

CONTRACT NO. UTU 76245

COMMUNITIZATION AGREEMENT

THIS AGREEMENT, WITNESSETH, That:

WHEREAS, the parties hereto own working, royalty, patented or fee or leasehold interests, or operating rights under oil and gas leases, on lands subject to this agreement which can be best developed and operated in conformity with a well spacing program; and

WHEREAS, to conserve natural resources the parties hereto desire to communitize and pool their respective mineral interests for the purpose of developing and producing communitized substances in accordance with the Acts of May 11, 1938, 52 Stat. 347, as amended, 25 U.S.C. 396a *et seq.*, and March 3, 1909, 35 Stat. 783, as amended, 25 U.S.C. 396;

NOW, THEREFORE, the parties agree as follows:

1. Communitized Area.

The lands covered by this agreement (hereinafter referred to as "communitized area") are described as follows:

Township 2 South, Range 1 East, U.S.M.

Section 2: All

Containing 650.90 acres, m/l

Uintah County, Utah

This agreement shall include only the following formations:

That interval below the stratigraphic equivalent of 9,600 feet depth in the "E" log of the Carter #2 Bluebell Well located in the SW $\frac{1}{4}$ NW $\frac{1}{4}$ Section 3, Township 1 South, Range 2 West, U.S.M. (which equivalence is the depth 9,530 feet of the sp curve, Dual Induction log, run March 15, 1968, in the Chevron #1 Blanchard Well located in the NW $\frac{1}{4}$ SE $\frac{1}{4}$ of said Section 3 to the base of the Green River-Wasatch formations.

2. Acreage and Ownership.

Attached hereto is a plat designed as Exhibit "A" showing the communitized area.

Attached hereto is Exhibit "B" showing the acreage, percentage and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.

3. Operator.

The Operator of the communitized area shall be Uinta Oil & Gas, Inc.

Matters of operation shall be governed by the designated Operator. Owners of the working interest in the communitized area may nominate a successor operator by filing four (4) executed copies of a Designation of Successor Operator with the Deputy Minerals Manager, Minerals Management Service (herein referred to as D.M.M.), for approval by the Superintendent.

4. Reports.

Operator shall furnish the Secretary of the Interior, or his authorized representative, with (1) monthly reports of operations, statements of oil and gas sales therefrom and such other reports as are deemed necessary to compute monthly the royalty due as specified in the applicable oil and gas leases or operating regulations by the 15th day following the month reported on; (2) a log and history of each well drilled in the communitized area within 15 days of completion of the well or approval of this agreement; and (3) such other reports as may be required by applicable oil and gas regulations.

5. Communitized Substances Allocated According to Acreage.

The communitized area shall be developed and operated as a unit. All communitized substances produced therefrom shall be allocated among the interest owners in the proportion that the acreage interests of each interest owner bears to the entire acreage interests committed to this agreement. Operations and production on one parcel in the communitized area shall be considered as operations and production on each parcel therein.

6. Segregation of Leases.

Any portion of an Indian leasehold interest not included within the communitized area is hereby segregated from that portion included within the communitized area, and is considered as a separate lease with the same parties subject to all of the terms of the original lease, excepting only the portion committed thereto.

7. Royalties.

The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis described in each of the individual leases.

8. Full Development.

The D.M.M. may either require the drilling and production of such wells as, in his opinion, are necessary, to insure reasonable diligence in the development and operation of the communitized area, or in lieu thereof, require the payment of an amount as determined by the D.M.M. to compensate the interest owners in full each month for the estimated loss of royalty.

The Operator shall:

(1) Drill and produce all wells necessary to offset or protect the communitized area from drainage, or in lieu thereof, to compensate the interest owners in full each month for the estimated loss of royalty through drainage. The necessity for offset wells shall be determined by the D.M.M. Payment in lieu of drilling and production shall be with the consent of, and in an amount determined by, the D.M.M.

(2) Drill and produce other wells, at the election of the Operator, subject to any system of well spacing or production allotments authorized and approved under applicable law or regulations, approved by the Secretary and affecting the communitized area.

9. Production and Disposal under Federal Law.

Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal statutes. No party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or if such failure results from compliance with, Federal laws and regulations or orders issued thereunder.

10. Effective Date.

This agreement becomes effective when all interest owners or someone authorized to act in their stead have executed this instrument or a counterpart thereof and the same has been approved by the Superintendent. The terms of the agreement shall apply to all production, either prior to or subsequent to the effective date, as of the date of first production and shall remain in force and effect so long thereafter as communitized substances are produced from the communitized area in paying quantities. In the event that any lease committed to this agreement is beyond its primary term prior to production in paying quantities, the lease terms apply.

11. Secretarial Supervision.

The Secretary of the Interior or his designate shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas lease in which owners of Indian Lands are lessors and in the applicable oil and gas regulations of the Department of the Interior.

12. Covenants Running with the Land.

The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interests until this agreement terminates. Any grant, transfer or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee or other successor in interest, and as to Indian Lands shall be subject to approval by the Secretary of the Interior.

13. Nondiscrimination.

In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of Section 202 (1) to (7), inclusive, of Executive Order 11246 (30 FR 12319), giving, however, such preference to Indians as applicable law permits.

14. Signing of Agreement by Counterparts.

This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

15. Lease Terms Control as Modified.

Oil and gas leases in the communitized area shall remain in full force except as herein modified.

DATED AND APPROVED this 20th day of March, 1996, by the United States of America, acting through the Bureau of Indian Affairs, and delegated to the Superintendent by Phoenix Area Redelelegation Order No. 3, Sec. 2:17 (34 Fed. Reg. 11109).



 Superintendent
CAC

ACKNOWLEDGEMENT OF SUPERINTENDENT

State of UTAH
 County of UINTAH } ss:

BEFORE ME, a Notary Public, in and for said County and State, on this 20th day of March, 1996, personally appeared DAVID L. ALLISON, whose name is subscribed to the foregoing instrument as Superintendent, Uintah and Ouray Agency, Bureau of Indian Affairs, and who acknowledged that he now is and was at the time of signing the same, Superintendent of the Uintah and Ouray Agency, Bureau of Indian Affairs, and he personally acknowledged to me that he executed this said document in his official capacity and pursuant to authority delegated to him for the use and purpose set forth therein.




 Notary Public

My Commission Expires: 5-24-97

Attached to and made a part of that certain Communitization Agreement Covering T2S, R1E,
Section 2, U.S.M.

Uinta Oil & Gas Inc.

By

Craig Phillips
Craig Phillips

ACKNOWLEDGMENT

State of Utah

ss:

County of Uintah

On the 26th day of September, 1996, personally appeared before me, Craig Phillips
who being by me duly sworn did say that he is the President of Uinta Oil & Gas Inc., lessee,
and that this lease was signed in behalf of said corporation by authority of its bylaws or a
resolution of its Board of Directors dated Aug 16-96, and acknowledged to me
that said corporation executed the same.



Steven A. Malnar
Notary Public

Residing at

Rosemead UT

My Commission Expires: OCT 16-1999

Attached to and made a part of that certain Communitization Agreement Covering T2S, R1E,
Section 12, U.S.M..

Ute Distribution Corporation

By *Lois LaRose*
Lois LaRose

ACKNOWLEDGMENT

State of Utah

ss:

County of Duchesne

On the 26 day of ~~September~~ ^{February} 1998, personally appeared before me Lois LaRose, who being by me duly sworn did say that she is the President of Ute Distribution Corporation lessee, and that this lease was signed in behalf of said corporation by authority of its bylaws or a resolution of its Board of Directors dated 4/17/96, and acknowledged to me that said corporation executed the same.

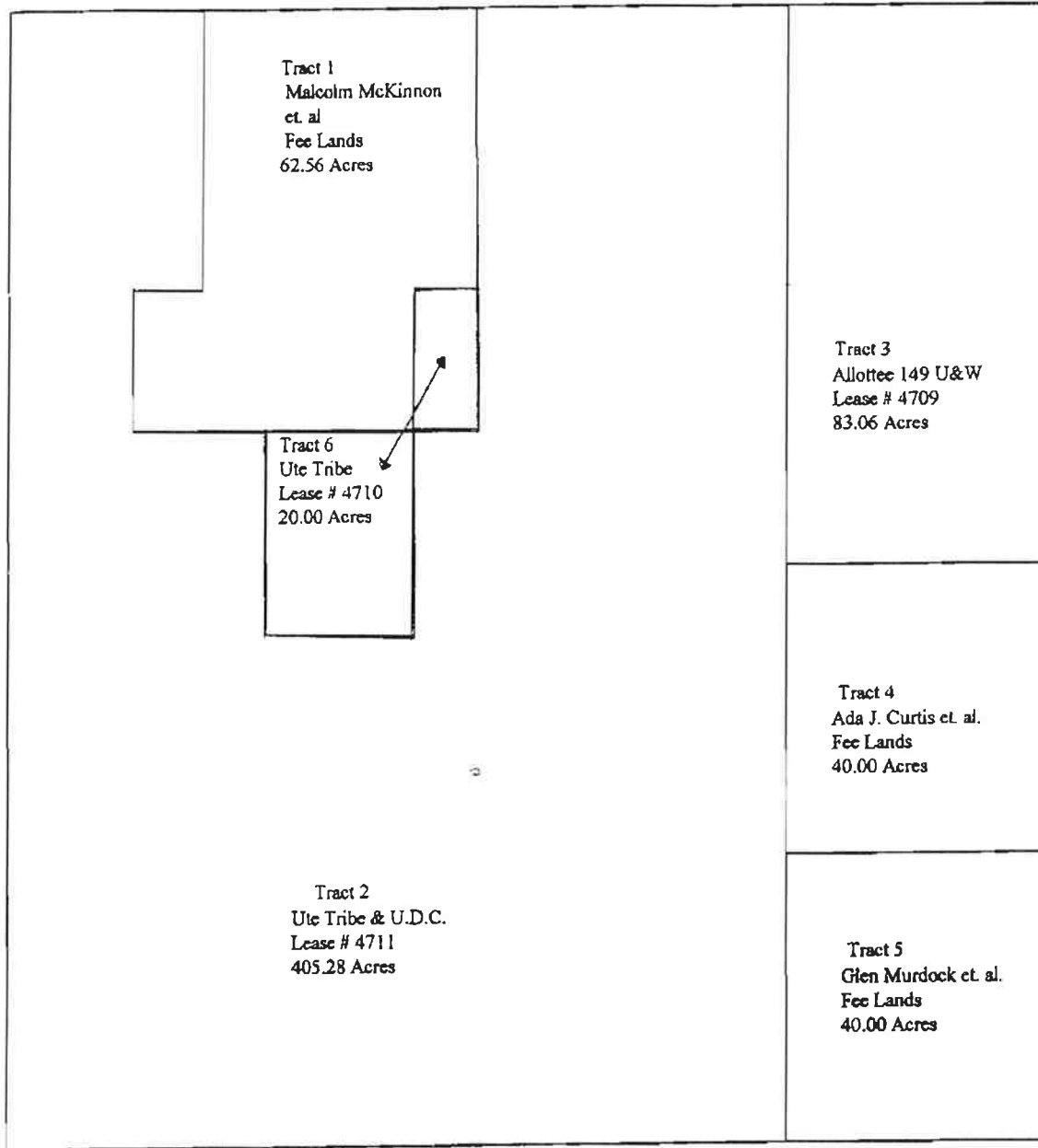
Pala Nelson
Notary Public

Residing at Roosevelt, Utah

My Commission Expires: 11/28/98



TOWNSHIP 2 SOUTH, RANGE 1 EAST U.S.M.
SECTION 2: ALL (650.90 acres)



RECAPITULATION SCHEDULE	Tract 1	62.56	9.61%
	Tract 2	405.28	62.27%
	Tract 3	83.06	12.76%
	Tract 4	40.00	6.14%
	Tract 5	40.00	6.14%
	Tract 6	<u>20.00</u>	<u>3.08%</u>
TOTAL	650.90 Acres		100.00%

Township 2 South, Range 1 East, U.S.M.

Section 2: All (650.90 acres)

Uintah County, Utah

TRACT 1

Lessor: Malcolm N. McKinnon Zions Bank Trustee

Lessee: Uinta Oil & Gas, Inc.

Date of Lease: May 6, 1996

Recorded: Bk 634 pg 225

Base Royalty: 1/6

Description: Township 2 South, Range 1 East, U.S.M.
Section 2: Lots 6, 7, 8, NE/4 SW/4 NW/4,
NW/4 SE/4 NW/4

Gross Acres: 62.56

Name and Percentage of working interest owners: Uinta Oil & Gas, Inc. 100%

Name and Percentage of Overriding Royalty Owners: None

Pooling Provision: Yes

Lessor: A. Burnell Rich et al

Lessee: Uinta Oil & Gas, Inc.

Date of Lease: May 3, 1996

Recorded: Bk 632 pg 266

Base Royalty: 1/6

Description: Township 2 South, Range 1 East, U.S.M.
Section 2: Lots 6, 7, 8, NE/4 SW/4 NW/4,
NW/4 SE/4 NW/4

Gross Acres: 62.56

Name and Percentage of working interest owners: Uinta Oil & Gas, Inc. 100%

Name and Percentage of Overriding Royalty Owners: None

Pooling Provision: Yes

Lessor: Hank Swain Family Trust

Lessee: Unleased.

Date of Lease:

Recorded:

Base Royalty:

Description: Township 2 South, Range 1 East, U.S.M.
Section 2: Lots 6, 7, 8, NE/4 SW/4 NW/4,
NW/4 SE/4 NW/4

Gross Acres: 62.56

Name and Percentage of working interest owners: Uinta Oil & Gas, Inc. 100%

Name and Percentage of Overriding Royalty Owners: None

Pooling Provision:

TRACT 2

Lessor: Ute Tribe & U.D.C #14-20-H62-4711.
Lessee: Uinta Oil & Gas, Inc.
Date of Lease: April 24, 1996
Recorded: Bk 634 pg 248
Base Royalty:
Description: Township 2 South, Range 1 East, U.S.M.
Section 2: Lots 2, 5, 9, 10, SE/4SW/4NW/4,
W/2SW/4NW/4, E/2NE/4SE/4NW/4,
SE4SE4NW/4, W2SW/4, W2SE4, SE4SW4
S2NE/4SW/4, NE/4NE/4SW/4, S/2NW/4NE/4SW/4

Gross Acres: 405.28
Name and Percentage of working interest owners: Uinta Oil & Gas Inc
Name and Percentage of Overriding Royalty Owners: none
Pooling Provision: yes

TRACT 3

Lessor: Allotment # 149 U&W # 14-20-H62-4709
Lessee: Uinta Oil & Gas Inc.
Date of Lease: April 24, 1996
Recorded: Bk 634 pg 240
Base Royalty: 20 %

Description: Township 2 South Range 1 East USM
Section 2: Lot 1, SE4NE4 (E2NE4)

Gross Acres: 83.06
Name and Percentage of working interest owners: Uinta Oil & Gas Inc. 100%
Name and Percentage of Overriding Royalty Owners: none
Pooling Provision: yes

TRACT 4

Lessor: James Curtis and Debra Curtis
Lessee: Uinta Oil & Gas Inc.
Date of Lease: Sept. 7, 1996
Recorded: bk 634 pg 222
Base Royalty: 1/8
Description: Township 2 South, Range 1 East USM
Section 2: NE4SE4

Gross Acres: 40.00
Name and Percentage of working interest owners: Uinta Oil & Gas Inc. 100%
Name and Percentage of Overriding Royalty Owners: none
Pooling Provision: yes

Lessor: Wiser Oil Co., RMA Inc., Western Petroleum,
Ada Curtis, Mable C Burrus estate, Merele Curtis

Lessee: Loader, Lois C. Mortensen et al
Unleased

Date of Lease:

Recorded:

Base Royalty:

Description:

Township 2 South, Range 1 East USM
Section 2: NE4SE4

Gross Acres:

40.00

Name and Percentage of working interest owners

Uinta Oil & Gas Inc. 100%

Name and Percentage of Overriding Royalty Owners:

none

Pooling Provision:

TRACT 5

Lessor:

Gwendolyn Mojado

Lessee:

Uinta Oil & Gas Inc.

Date of Lease:

May 1996

Recorded:

bk 634 pg 227

Base Royalty:

1/8

Description:

Township 2 South Range 1 East USM
Section 2 SE4SE4

Gross Acres:

40.00

Name and Percentage of working interest owners:

Uinta Oil & Gas Inc. 100%

Name and Percentage of Overriding Royalty Owners:

none

Pooling Provision:

yes

Lessor:

Brenda Mojado

Lessee:

Uinta Oil & gas Inc.

Date of Lease:

May 1996

Recorded:

bk 634 pg 229

Base Royalty:

1/8

Description:

Same as above

Gross Acres:

same as above

Name and Percentage of working interest owners:

same as above

Name and Percentage of Overriding Royalty Owners:

none

Pooling Provision:

yes

Lessor:

Shirley Reed et al

Lessee:

Uinta Oil & Gas Inc.

Date of Lease:

May 3, 1996

Recorded:

bk 634 pg 227

Base Royalty:

1/8

Description:

Township 2 South Range 1 East USM

Gross Acres:

Name and Percentage of working interest owners:

Name and Percentage of Overriding Royalty Owners:

Pooling Provision:

Section 2 SE4SE4

40.00

Uinta Oil & Gas Inc. 100%

none

yes

Lessor:

Glen Murdock et ux, Ronald Murdock et ux, Stewart
Murdock et ux, Benny Murdock et ux, Mary Ward et
Collin Murdock estate

Unleased.

Lessee:

Date of Lease:

Recorded:

Royalty:

Description:

Township 2 South Range 1 East USM

Section 2 SE4SE4

40.00

Gross Acres:

Name and Percentage of working interest owners:

Name and Percentage of Overriding Royalty Owners:

Pooling Provision:

Uinta Oil & Gas Inc. 100%

none

TRACT 6

Lessor:

Lessee:

Date of Lease:

Recorded:

Base Royalty:

Description:

Ute Tribe & U.D.C #14-20-H62-4710.

Uinta Oil & Gas, Inc.

April 24, 1996

Bk 634 pg 231

18%

Township 2 South, Range 1 East, U.S.M.

Section 2: SW4SE4NW4, W2NE4SE4NW4,
W2NW4NE4SW4

Gross Acres:

Percentage of working interest owners:

Name and Percentage of Overriding Royalty Owners:

Pooling Provision:

20.00

Uinta Oil & Gas Inc 100%

none

yes